

2



Instr: 201105110018112 05/11/2011  
P: 1 of 2 F: \$28.00  
Rick Campbell 2:08PM LEAS  
Stark County Recorder T20110014577

244  
048711-3

Above space for official use only

### **NON- DEVELOPMENT OIL & GAS LEASE**

THIS LEASE, made this 20<sup>th</sup> day of April, 20 11, by and between  
Mark Douglas and Ruth Douglas (Husband + wife)  
225 West 6th St  
Brewster, Ohio 44613

hereinafter called Lessor, and Ohio Valley Energy Systems Corp., 200 Victoria Rd. Bldg. 4 Austintown, Ohio  
44515 hereinafter called Lessee, do agree:

1. Lessor, for valuable consideration, the receipt and sufficiency of which is hereby acknowledged, grants and leases Lessee all the oil and gas in the lands described below, with the exclusive right to operate for, produce and market the same from a well or wells on other lands; the right to unitize Lessor's lands, or any portion, with other lands into a drilling unit of no more than eighty acres for any well drilled above the base of the Queenston Shale and six hundred forty acres plus 10% tolerance for any well drilled below the base of the Queenston Shale, together with the right to pool, reform, enlarge and/or reduce such pool, and repool all or any part or parts of the leased premises. This Lease is for five (5) years, and as long thereafter as operations are being conducted on any such unit or oil or gas can be produced in paying quantities in Lessee's judgment from any such unit. Said primary term shall be extended for a term of one year by virtue of filing an Application for Drilling Permit with the Ohio Department of Natural Resources, Division of Mineral Resource Management. This lease covers all of Lessor's land in or Sections 8 and 10 of Sugarcreek Township, Village of Brewster, Stark County, State of Ohio, containing 0.172 acres, more or less, and described as follows: Parcel ID#(s) 7000445 Or further as Lot No's 894 and 895 in City of Brewster as described in Volume 1418, Page 33 of Stark County Records.

2. Lessor shall be paid as royalties a proportional share of, ~~one-eighth~~ (1/8) of the proceeds realized by Lessee on all the oil and gas sold commercially off the unit, as the amount of Lessor's acreage in the unit bears to the total acreage in the unit. Such proceeds shall be net of severance, ad valorem and any other taxes or charges levied against production. Lessor grants Lessee the authority to execute division orders or contract for the sale of gas or oil.

3. No well shall be drilled on Lessor's property, nor shall Lessee enter upon or install any surface installation of any nature whatsoever on the leased property, the within Lease being granted solely for the purpose of permitting the Lessee to unitize the leased property with other properties, which other properties shall bear all the burden of surface development. Lessor understands and gives consent that, due to slant (directional) drilling originating from surface entry on a parcel not owned by Lessor, the wellbore may pass through or terminate below the surface of Lessor's property. This directional drilling condition is granted exclusively to Lessee.

4. This lease shall be binding on all heirs, personal representatives, successors, and assigns of Lessor and Lessee. No change of ownership shall be binding on Lessee until Lessee has received adequate evidence of transfer. If the leased land is hereinafter owned in separate tracts, the premises, nevertheless, shall be treated as an entirety and all payments due shall be paid proportionally to each separate owner, and if Lessor owns less than the entire fee, Lessor shall be paid only his proportional share of any payment due. Lessee may at any time surrender this Lease in whole or in part.

5. Lessor hereby warrants and agrees to defend title to the land herein described and agrees that Lessee, at its option, may pay and discharge any taxes, mortgages, or other liens existing, levied, or assessed on or against the said lands and, in the event it exercises such option, it shall be subrogated to the rights of any holder or holders thereof and may reimburse itself from any payments due hereunder. Should Lessee be delayed or prevented from complying with any express or implied covenant of this Lease, from conducting any drilling or any other operations, or from producing oil or gas therefrom by reason of the operation of force majeure or any federal, state or local law or regulation, or by reason of any other cause beyond the control of Lessee, then while so delayed or prevented, Lessee's obligations to comply with such covenant or obligation shall be suspended. The term, both primary and secondary, hereof shall be extended while Lessee is delayed or prevented by any such cause.

6. It is mutually agreed that this instrument contains and expresses all of the agreements and understandings of the parties in regard to the subject matter thereof, that no verbal representations or promises have been

made or relied upon by either party which are not contained herein, and no implied covenants, agreements or obligation shall be read into this agreement or imposed upon either party.

7. Lessee agrees to make payment to Lessor a sum of \$250.00 payable upon drilling commencement activities (spudding).

8. Lessee shall indemnify and save Lessor harmless from and against all claims, demands, actions, liabilities, losses, expenses (including reasonable attorney fees) from Lessee's operations which may affect Lessor's land. Lessee shall have the option to select competent legal counsel to defend any action for which Lessee is indemnifying Lessor.

Lessor(s):

Mark R. Douglas  
Ruth Douglas  
Tax ID # or Social Security #



Instr: 201105110018112  
P: 2 of 2 F: \$28.00 05/11/2011  
Rick Campbell 2:08PM LERS  
Stark County Recorder T20110014577

STATE OF OHIO )  
COUNTY OF Stark ) SS:

The foregoing instrument was acknowledged before me this 20th day of April, 2011  
by Mark R. Douglas and Ruth Douglas (Lessor).

My Commission Expires:



Kelly J. Clarke  
Notary Public

This instrument prepared by:  
Version 041311

Ohio Valley Energy Systems Corp.  
200 Victoria Rd, Bldg 4  
Austintown, OH 44515